

Mishandled Baggage Service Recovery: Winning the Satisfaction Game

Thesis

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Abstract

Service operations are pervasive and significant in today's economy, with customers demanding both high levels of customization and consistency from service providers. A major challenge in service operations is service recovery: converting a dissatisfied customer into a satisfied one. In the case of airlines, some of the most important service recovery efforts occur after baggage has been delayed, lost or damaged. Baggage recovery typically occurs at the end of a customer's airline experience, making it one of the most memorable interactions that can impact return tendencies. Despite the importance of this interaction, our study American Airlines, Continental, Delta, Southwest, Northwest, United, and US Airways over nine years and 18.5 million baggage transactions shows that Southwest Airlines dominates its competitors as a clear leader in positive service recovery efforts.

The purpose of this research is to investigate the procedures, policies, and cultural differences between Southwest Airlines and the remaining competitors. Using service-profit chain theory, we show the importance of procedures, policies, and employee empowerment on service recovery efforts. In order to do this, we conduct fourteen interviews with associates and managers from multiple airlines. Our analyses suggest that Southwest Airlines does a better job of communicating service recovery policies to customers. These results provide evidence of real differences between the service recovery processes of Southwest Airlines and the competition. Furthermore, this corroborates previous work finding that Southwest consistently outperforms competitors in many service dimensions. As airlines consolidate and expand, and as the customer base grows, providing high quality service to passengers will become increasingly difficult. This research provides a look at one critical area where airlines can improve and make commerce easier.

Dedication

Dedicated to Astasia, Darren, Eliot, Peter, Ramin, Rob, and my parents. May the years continue to bring us back together.

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I owe deep gratitude to my faculty advisors, Aravind Chandrasekaran and Andrea Prud'homme. Without your guidance and support this would not have been possible. Thank you for believing in me. I'd also like to thank John David 'Blacki' Blackburn for his advice and stories over the past year and Harrison Steinbuch for his unfailing friendship and art consulting.

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1. Introduction

In today's economy, daily interaction with a service industry competitor is nearly guaranteed. As companies that sell primarily intangible goods, services are estimated to make up 77% of added value in the American economy according to the World Bank (WDI & GDF, 2010). Due to the nature of services, some companies are constrained by characteristics such as inseparability of manufacture and delivery, immediate perishability, and intangibility, which distinguish services from manufacturing. Service operations research, spawned in the late-1970's, became keystone literature for students and practitioners interested in learning secrets to financial success through service delivery. Over the years, service operations research evolved as a conglomeration of operations, marketing, and human resources, reflecting the importance of tight coordination among disciplines to achieve consistent customer satisfaction (Johnston, 1999).

A significant problem faced by practitioners is to deliver consistently satisfactory levels of service to customers. The issue stems from the customer's presence throughout service delivery, and requires constant adaptation on the

part of employees to micro customer demand and individual customer preferences. Moreover, no customer receives exactly the same provided service due, at a minimum, to the natural variation of human interaction and emotion felt by front-line service employees. This necessitates close interaction between operations, marketing, and human resources disciplines to ensure that employees not only understand the service concept, but that they are able to satisfactorily execute under varying conditions with a positive attitude.

Employees' positive interaction with customers is tantamount to achieving service success. Since services are intangible, there are no physical goods changing hands with which a customer can judge the company; employees serve as a main driver of satisfaction. Additionally, services perish immediately upon consumption, such as seats on an airline flight that cannot be sold after the flight leaves, often leaving employees only a single interaction with which to create a positive image for the customer. Without clear standards and employee empowerment to meet customer demands throughout a day, services can be a customer's worst nightmare. With them, it can be difficult for any competing offering to break the repeat customer's loyalty.

One way to retain customer loyalty after service failure is to execute an effective service recovery initiative. This effort involves recognizing the customer's problem, providing timely compensation or resolution, and assuring them that the cause of failure will be rectified (Sasser, Hart, & Heskett, 1991). Done properly, customer service recovery can return a customer's satisfaction with the service, provide confidence in the company, and lead to loyalty, thereby avoiding negative word-of-mouth and a lost customer (Maxham, 2001).

Due to the critical influence of service recovery on brand image and profitability, this study will delve deeper into the service recovery framework to develop further understanding of its components. Many service industries rely on service recovery, but if service recovery centers around customer critical items, it heightens the importance of the interaction. Thus, this research will focus on airlines' bag service recovery, because some of the most significant service interactions with an airline take place after a customer's personal item has been delayed, lost or damaged. Baggage recovery typically occurs at the end of a customer's airline experience, making it one of the most memorable interactions that can impact return tendencies of customers.

Airlines are a service sector many Americans are intimately familiar with. Last year, U.S. airlines carried 638 million passengers domestically, providing primary transport for most passengers travelling over 600 miles from origin to destination (Wensveen, 2007). Despite large passenger numbers, airlines are plagued by exaggerated business cycles, persistently low returns of 3% industry wide which are well below their 8% cost of capital over the past decade (Pearce, 2010). One cause of these problems may be a lack of customer focus, a necessity highlighted by numerous service operations researchers (Dodds, 1999; Gronroos & Ravald, 1996; Hallowell, 1996; Heskett et al., 1994; Holt & Payne, N/A; Singgih & Purnasakti, 2010; Parasuraman, Berry, & Zeithaml, 1991). In addition to these generalized observations, Southwest Airlines provides an exalted example of service excellence, begetting profitability. While recognized as the airline service leader by organizations like the American Customer Satisfaction Index, Consumer Reports, JD Power & Associates, and Fortune Magazine, Southwest is also the only airline in this study to report a profit every year between 2002 and 2010 (American Airlines 2002-2010, Continental Airlines

2002-2010, Delta Airlines 2002-2010, Northwest 2002-2007, Southwest Airlines 2002-2010, United Airlines 2002-2010, US Airways 2002-2010).

One major factor in Southwest's profitability may be an effective service recovery program. To measure the frequency with which airlines must initiate baggage service recovery efforts, we aggregated mishandled baggage data per 1,000 customers from the Bureau of Transportation Statistics monthly "Air Consumer Travel Reports" for years 2002 - 2010. Figure 1 shows self-reported mishandled baggage incidents for each airline studied. Data is collected per Code of Federal Regulations Title 14, Federal Aviation Regulation 234.6, and cover nearly every delayed bag incident, as well as all damaged, lost and extended delays.

Figure 1

Mishandled Bag Reports										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	Summary
	Yearly Averages									
American	4.26	4.42	4.73	5.88	6.36	7.26	5.68	4.30	3.82	5.19
United	3.73	3.92	3.95	4.27	5.72	5.81	5.23	4.09	3.42	4.46
Delta	3.58	3.83	5.36	7.00	6.92	7.59	6.00	4.90	3.53	5.41
Continental	3.12	3.10	3.55	4.10	4.71	5.29	3.91	2.71	2.65	3.68
US Air	2.95	3.54	5.34	9.55	7.85	8.41	4.76	3.04	2.58	5.33
Southwest	3.52	3.35	3.35	4.24	5.36	5.90	4.58	3.43	3.47	4.13
Northwest	4.46	3.40	4.24	4.88	4.62	5.02	3.49	2.59		4.09

Conducting an ANOVA analysis, the variation between Southwest and its competitors is not statistically significant at the .01 level with a p-value of .02 and with Continental, the farthest outlier removed from the data, the variation between Southwest and its competitors becomes insignificant at the .1 level with a p-value of .12. From 2002 to 2010, Southwest had the lowest mishandled baggage rate only once and over the entire period had the 3rd lowest mishandled baggage rate. This indicates that Southwest must deal with a similar percentage of customers with bag complaints as its competitors.

Assuming a standard level of service recovery across the industry for mishandled bags, we expect to see comparable customer satisfaction resulting from the baggage service recovery process. Using mishandled bag complaints per 100 million customers from the “Air Consumer Travel Report” as a measure of customer satisfaction, however, reveals a dramatically different story. Southwest is more successful at keeping customers from self-reporting dissatisfaction with mishandled bags, by a factor of 10, better than any competitor in any year covered in this study (Figure 2). In some months

Southwest could even boast 100% satisfaction with their baggage service recovery process.

Figure 2

Mishandled Bag Complaints										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	Summary
<i>Yearly Averages</i>										<i>P-value</i>
American	2.6	1.82	2.27	3.08	3.74	5.07	3.9	3.33	3.95	3.31
United	2.95	1.79	1.91	3.04	3.16	4.8	4.14	3.02	3.82	3.18
Delta	1.88	1.46	2	3.4	2.93	5.56	4.89	4.81	4.11	3.45
Continental	2.03	1.78	1.7	2.28	2.15	2.95	2.16	1.94	2.64	2.18
US Air	1.57	2.1	2.05	8.01	3.59	4.83	2.63	2.2	2.07	3.23
Southwest	0.465	0.29	0.283	0.241	0.565	0.614	0.456	0.404	0.443	0.43
Northwest	2.2	1.59	1.41	2.24	1.68	3.17	1.95	2.97		2.15

Southwest's success in mitigating mishandled bag complaints suggests that their service recovery process exhibits tangible differences from the customer point of view. The goal of this research is to identify the significant factors in Southwest's service recovery effort that mitigates their customer reported service failures more successfully than its competitors. Inquiry into Southwest's service recovery methods as a benchmark against competitors should yield insights into how companies can structure successful recovery efforts.

2. Literature Review

Service operations research began with the identification of the significant differences between manufacturing and services, which have intangibility, inseparability of production and consumption, heterogeneity, and perishability (Johnston, 1999; Parasuraman, Zeithaml, & Berry, 1985). Research during this period was generally conceptual in nature, concerned with developing frameworks for structured analysis and development of services (Johnston, 1999). For example, researchers exploring customer contact time (Chase, 1981), customization (Maister and Lovelock, 1982), and amount of value added in the front and back office helped establish the widely recognized categorizations of services as either mass, professional, or shop (Johnston, 1999). As the field matured, integration of operations and service concepts including marketing and human resources became accepted practice as a field all its own, to be tested empirically. Bitner (1990) used the critical incident method, developed for traditional operations analysis, to test the impact of varying service encounters on customer satisfaction. Parasuarman, Zeithaml, and Berry (1988) took factors supposedly expected by customers categorized as: tangibles,

reliability, responsiveness, assurance, and empathy, and measured their importance across four service industries. They found all to be important with reliability as the most significant and tangibility as the least. During this period, there was also growing recognition that service operations could contribute to improving traditional manufacturing operations research (Johnston, 1999). The final stage of service operations research, the one informing this paper, is a prescriptive one (Johnston, 1999). The discipline has enough empirically tested framework foundations to understand relationships between operations drivers such as quality, staff satisfaction, and internal quality on profits and customer satisfaction. One such work, return on quality, by Rust et al. (1995, 1999) linked investment in quality to measurable returns based on the assumptions that quality must remain financially accountable, it is possible to spend too much on quality, and not all quality expenditures are equally valid investments.

Service recovery, as a subcategory of service operations research, harbors a framework all its own. To start, there are multiple foci of recovery such as customer recovery, employee recovery and process recovery (Johnston & Michel, 2008). Process recovery involves data collection and analysis of critical

incidents followed by costing and improvement to rectify process deficiencies (Johnston & Michel, 2008). Employee recovery is concerned with “supporting employees in their difficult role”, whereas customer recovery, the focus of this research, stresses the importance of returning a dissatisfied customer to satisfaction (Johnston & Michel, 2008). Johnston & Michel (2008) tried to assess the performance benefits of the three recovery modes, using established frameworks such as the seven activities that appear to resolve complaints: acknowledgement, empathy, apology, owning the problem, fixing the problem, providing assurance, and providing compensation. Other service recovery work focuses on issues specific to the task of returning unsatisfied customers to satisfaction. Such research includes looking at how full, partial, and unresolved resolutions effect customer return tendencies (Leong et al., 2002), measuring the effect of these critical incidents (Edvardsson, 1992), and companies’ demand coping mechanisms (Armistead & Clark, 1994).

Many service recovery researchers, such as Rio-Lanza et. al., view the customer recovery process as intimately tied with theories of justice. This analysis splits the process into three parts: distributive, procedural, and

interactional justice. Distributive justice is the customer's perception of what they receive compared with what they deserve, procedural justice refers to whether customers believe the decision-making criteria were fair, and interactional justice captures the acceptability of interpersonal relations (Tax & Brown, 1998; Gustafsson, 2009). These variations combine with the general conclusion that companies should try to provide a recovery level "relative to what the customer has invested in the relationship" (Gustafsson, 2009).

Another body of work, the service-profit chain (SPC), originated by Heskett et al. (1997) modeled links between employee satisfaction and loyalty, customer satisfaction and loyalty, and profitability. This concept has significant implications for service recovery. SPC work showing that independent employees endowed with capability and the freedom to work productively provide better service to customers, hints at the possibility that independent front-line employees provide quicker, more accurate, and cheaper service recovery, as tested by Boshoff (1996). Further connection arises from the proposition that loyal customers, measured appropriately under industry specific circumstances, directly positively affects profitability. There is wide recognition

that service recovery has an important impact on loyalty and also an implicit understanding that an unrecovered customer carries hidden costs, such as negative word-of-mouth and purchasing from competitors (Dewitt & Brady, 2003; Mattila, 2001; Maxham, 2001; Swanson & Kelley, 2001). Given the deep connections between SPC and service recovery work, argued for by Tax and Brown (1998), this research will highlight the SPC effects in furthering or hindering service recovery efforts.

A final consideration in service recovery is the environment within which the recovery takes place. Findings from Spangenberg et al.'s (1996) work on olfactory cues to Wakefield and Blodgett's (1996) look at college football environments suggest that anything from the space, lighting, layout, smell, parking, and color scheme can affect customer satisfaction. Thus, a critical component of assessing the relative merits of service recovery efforts must look at the physical space in which these interactions take place.

Service recovery, service-profit chain, and environment studies should inform airline baggage service recovery to be financially responsible while identifying with the customers' problems and resolving them quickly and

efficiently. While there is no body of work looking at service recovery applied specifically to mishandled baggage to draw from, specific guidance can be found from other research. For example, by assigning a specific office the task of recovering mishandled bags, airlines reduce the amount of uncertainty personnel and procedures must cover, thereby limiting costs. This could allow airlines, despite dealing with idiosyncratic situations, to limit customization of resolutions to a few common situations such as limited delays, over-night delays, and extended delays by people trained to handle such issues. Additionally, airlines should ensure that employees are trained to empathize with potentially upset customers, and able to recover their emotions to a more positive state before addressing the next person with an issue. From a customer perspective, the recovery process is much better if the designated office is well lit, with helpful and preferably positive signs, communicating that this is something that the airline cares about, invests in, and sincerely wants to rectify. Finally, managers should use critical mishandled baggage incidents to assess the effectiveness of employees and processes to keep future failures from occurring and continuing to recover customers successfully in the future.

3. Research Methodology

Since service recovery has been established as critical to customer retention, process improvement, employee retention, and profitability, when the service concept fails, one might expect companies within a service sector to compete to parity in recovery efforts, disallowing any firm to gain a competitive advantage. However, we find a different story when examining airline data on mishandled baggage rates and customer satisfaction with mishandled baggage. Compared with competitors, Southwest Airlines does a decent yet not extraordinary job of carrying bags without mishaps, but manages to return customers, by an order of magnitude, to satisfaction more often than other airlines.

Unbundling and analyzing the airline baggage recovery process was a multi-step process. First, we undertook a review of airline website material to understand the basic process. This information provided a general baseline to gauge company conformance with their own stated policies, conformance of service recovery standards across the industry, and ease of access to relevant policies for customers. After this, further information was gathered utilizing in-

depth, in-person interviews to gain first-hand knowledge of the recovery process. Interviews were granted at three airlines: Southwest, United, and American across all levels of the companies. Initial interviews were conducted using a set of thirteen questions, tailored to understand training, management support, and policies as they are put into practice. After at least two interviews with each company, the questions were revised to a set of nineteen questions in order to resolve unanswered questions or expand on others. Six interviews were conducted with Southwest employees, consisting of station managers, two front-line bag office employees, and one baggage manager at corporate headquarters. Additionally, interviews with station managers and front line employees for American and United were conducted for a total of fifteen interviews. After interviews were conducted, reviews of baggage service offices at Port Columbus and San Francisco International Airports were undertaken to assess the service recovery environment provided by each airline. Finally, publicly available documents for the airlines were assessed to glean information about employee empowerment and compensation. With all the information compiled, an

extensive review was undertaken to find what, if any, tangible differences might exist from a customer perspective between Southwest and its competition.

4. Results

To initiate the inquiry into airline baggage service recovery, we reviewed the airlines' websites to gauge ease of use for customers as well as understand what baseline policies could be expected within each company and across the industry. The structure of all the companies' websites are very similar, with Southwest, United, American, and US Air's websites only taking 2-clicks to get to delayed, lost, or damaged policies while Delta's website takes 3-clicks. The format of United, American, and US Air's websites is extremely similar, utilizing a drop-down bar at the top of the page, while Southwest and Delta both use the same alternative format of a link at the bottom of the page. Southwest and American's webpages stand out as well designed and visually pleasing, while United's webpage is basic, simply providing the links a customer might need. Additionally, all the airlines provide information in simple language, allowing almost any passenger to understand the terms and conditions of their liability

and policies. Finally, all the companies prominently provide at least phone contact information within their lost, delayed, and damaged bag pages.

Another important aspect of an airline's website is to set customer expectations about what will be covered and done by the airline to resolve an issue. Thus, we use the websites to get a baseline of what procedures and policies are used across the industry. For delayed bags, every airlines specifies that passengers should report the missing bags within four hours at the airport baggage service office, and should give the office five days to locate the bag. If five days pass, then it is the customer's responsibility to file a claim form with the airline's central baggage office. Currently, all the airlines except for Southwest provide the ability to track your bag to see when it will arrive. Also, Delta and US Air specifically mention reimbursable expenses for up to 5 days and \$50 per day, while American merely mentions that they are available and how to claim them, and United and Southwest do not say anything on the subject. For damaged bags, every company specifically denies responsibility for various every day wear and tear, including damage to handles, wheels, zippers, and minor cuts and scratches. Also, they eschew responsibility if a customers' bag is deemed

overstuffed, packed unsuitably, or for fragile items. All companies refer customers to their central baggage office for damage complaints and place responsibility on the customer to file a claim form. The companies seem to have almost, if not exactly, the same policies outlined on their websites. Thus, no company would prime customers to expect anything exceptional or out of the ordinary from their baggage recovery processes.

The service recovery process begins in the baggage service office, with the first face-to-face interaction a customer has after a bag does not appear on time or arrives damaged. This initial stage of recovery is critical to eliminating customer disconfirmation through tactical use of timely and adequate repayment by an employee with proper rank to meet the situations' demands (Boshoff, 1996). For Southwest, American, and United, this process begins with a front-line employee trained to work in the baggage office, at the ticket counter, and at the boarding gate fielding the customers' issue. Additionally, all three airlines draw posts similarly, using an employee bid system in which all those working a given shift rank their station preferences with the most senior members getting first assignment. There is no systematic testing of knowledge

or interpersonal skills by any airline, although all station managers indicated that they can and do use discretion when placing employees to posts. Multiple Southwest employees stated that one lady who has been with the company since 1995 works the office Monday through Friday, suggesting that it is a coveted position. However, a front-line United employee indicated that although he had senior rank and did not want to work in the baggage office, he was placed there over a junior employee because they did not have the requisite knowledge. That example highlights one of the pitfalls of posting cross-trained employees at such a critical front-line post. Although the employee on-duty had the proper knowledge to service customers, he may not be fully engaged with the job because he prefers another position or believes he been slighted by a co-worker's shortcomings.

On the other hand, by cross-training employees and rotating their position assignments, management at all three airlines seem to be doing equivalent jobs trying to break the monotony of being stuck at certain duties. Many of the front-line staff noted in the interviews that they had recently worked at other positions, and that each job demanded different skills. For

instance, several staff members noted that the ticket counter requires them to be constantly engaged with co-workers and customers handling mostly routine tasks as opposed to the baggage service office which is much more secluded, interrupted periodically by bursts of activity that require problem-solving skills to resolve each customer's unique situation.

An area that did exhibit important differences was in the availability of management support to baggage service personnel. Southwest at Port Columbus International is run by a station manager with a ten person span of control. At least one member of that team is available on-site when an employee is on-duty at the baggage service office except on Saturday nights when two employees are assigned to the office instead. American Airlines at Port Columbus International is run by a station manager with a three person team, and personnel indicated that at smaller stations there may not always be a supervisor available on-site. Finally, United Airlines has four customer service managers on site but does not always have supervisors available in Columbus when employees are on-duty at the baggage service office. The lack of management support at all times for American and United present a situation

ripe for the occurrence of critical incidents. Management is least likely to be available late at night, when customers are most likely to be desperate to get their situation resolved quickly. Also, many delayed bags arrive on the next flight, which could mean forcing customers to wait until the next day for an otherwise routine procedure.

Another important consideration for the effectiveness of service recovery is the full package of employee compensation (Heskett, 1994). Pay, ancillary benefits, and leadership provided by the companies as well as intangible perks stated by front-line employees during interviews provide motivation for staff to give high levels of service. Employees from all three companies mentioned travel perks and flexibility of schedule as nice bonuses, while United Airlines employees also mentioned the opportunity to create relationships with customers and co-workers. Multiple Southwest employees expressed satisfaction with pay relative to those at competitors. Although differences in pay do not seem to be substantial, hourly American employees begin at \$11 per hour and can advance to \$24 per hour whereas Southwest staff begin at \$11.61 per hour and can expect to make \$26.61 per hour after 12 years of employment,

workers interact across organizations and have an awareness of relative compensation which confers prestige to and fosters pride in those with higher wages. Another key insight derives from the companies 2010 annual reports. At first glance, Southwest appears to place a much greater emphasis on culture and rewards for employees. Quantified as the number of times the reports mention 'employees' reveals the true extent of the difference between Southwest, American, and United. Southwest references employees 100 times in 120 pages for a rate of .83 per page. In comparison, American only writes about employees 40 times in 118 pages or .34 per page and United only 89 times in 224 pages or .4 per page. These numbers suggest a fundamental difference in attitudes at Southwest, American, and United with respect to focusing on employee satisfaction and loyalty.

Closely tied to the compensation of employees is their training. With proper guidance, employees can take their initiative and translate it into competent action toward satisfying customers (Heskett, 1994). Southwest, American, and United all appear to have similar training regimens. New hires are sent to headquarters for two weeks of training on company procedures and

systems. Staff at every company indicated that there is little emphasis on customer service, although transmission of a strong employee-centric culture during this initial training period could translate into high levels of service (Hesket, 1994). Extrapolating from the annual report comparisons, Southwest probably outperforms its competition in this regard. Remaining training is seen by front-line staff as on-the-job training, although station managers indicated that more was done. For example, Southwest and United managers stated that shadowing occurred for up to two weeks after initial training while American's station manager explained that they have 3 day training available upon request for current employees on new company systems. All three companies conduct online courses on topics such as hazardous materials, disabled passengers, and airport security. These programs are required for all staff on a yearly or other time-sequenced basis. Training across the companies does not seem to differ significantly.

Proper training coupled with a strong employee and customer culture should translate into beneficial communication with complainants. One of the first and most important things to do when fielding a complaint is to apologize

for the problem (Bell & Zemke, 1987; Johnston & Michel, 2008). The only employee who mentioned apologizing to customers was a Southwest front-line staff member who made clear that she always consciously apologizes when people come into the baggage service office. Another critical aspect of communication during service recovery is making the customer feel as though their issue is important to the company and will be fixed in a timely manner (Johnston & Michel, 2008). Again, it appears that Southwest staff has a more empathetic stance toward the customer. Every airlines' employees stated that they do not have typed policies or instructions available for customers to take home at the baggage service office. American and United staff stated that they usually refer people to their website if they need to see policies. In comparison, a Southwest staff-member said, "We try not to refer customers to the website, but to help them here". This attitude, that a customer should be helped in person and not from a website, provides significant contrast between Southwest and competitors. It may make the customer feel more valued during their dissatisfactory experience.

Another aspect of ensuring that customers feel their complaint is valued by the company is to resolve the issue quickly. Settling the problem within a reasonable amount of time is one of the key drivers of customer satisfaction with the recovery process (Boshoff, 1996). For airline passengers, many of whom are in town only for a limited time, this time horizon may be shorter than for other services. As mentioned earlier, late flights can force passengers to wait until the next day to receive their delayed bags; pushing severe mishandling issues, such as pilferage, damage, and lost and found, up the chain-of-command or to headquarters can delay resolution by days or weeks. American, Southwest and United appear to give similar amounts of autonomy to their front-line staff in terms of identifying coverable complaints and awarding restitution. Likewise, the companies exhibit parity in those issues that they send passengers to headquarters for resolution about, such as getting reimbursed for expenses during bag delays, which are handled on a case-by-case basis.

One counter-intuitive point arises in the inspection of the appropriateness of restitution given by airlines to customers. Although it is easy to surmise that a higher level of atonement would yield higher customer

satisfaction and would be the route followed by Southwest to achieve such dramatic results, this is not the case generally or in this case. In services generally, it has been found that while higher levels of atonement do correlate with more satisfied customers, it does not appear that atonement is necessary if other aspects of service recovery are executed well (Boshoff, 1996). Not surprisingly then, Southwest's delivery schedules, bag repair contracts, bag replacement policies, and liability limits are all the same or equivalently similar to its competition.

Finally, customers' attitudes are affected by the physical service recovery environment (Spangenberg et al., 1996; Wakefield & Blodgett, 1996). Most baggage services offices at any given airport are similar in layout, lighting, and basic amenities since the offices are leased by the airlines from the airport. However, strategic leasing can affect customer perceptions. For example, Southwest and United's baggage offices were easy to find and adjacent to their assigned carousels, while American's office was wedged between United's office and a construction company office, making it invisible from its assigned carousels. Also, the Southwest office was the only one at Port Columbus

International with branding beyond a name and logo combination on the back wall. Their light-hearted poster on the wall behind the desk espoused the company's ethos of hard work while driving humor into a potentially tenuous environment. Otherwise, all three companies posted liability signs with items that they do not cover, and had similar decorations and branding on the entrance, desk, and walls.

Not only does the office environment affect customer perception, but by designing the office to facilitate work and make it more enjoyable for employees, a company can raise employees' performance. Each office at Port Columbus International had equivalent layouts, seating, back-office space, and computer terminals. The most prominent difference is that Southwest has a digital arrival board in their baggage service office, which simplifies employees' communication with customers about when the next arrival from a customer's point-of-origin is expected, to predict when their bag should arrive. However, American and United track all bags in their system whereas Southwest does not, which would allow their associates to give guaranteed assurance that a customer's bag will arrive on the next flight or pin-point its position in the

transportation system. Timely access to critical information is a clear potential advantage for employees at American and United.

5. Conclusion

By benchmarking American and United's service recovery against Southwest's, several things become clear about factors affecting successful recovery. The 'soft' interpersonal skills espoused by Heskett et al. (1994) generated by creating an employee-empowering company culture are paramount to resolving service failures. It allows staff to respond quickly and empathetically to customer needs, while also encouraging employees who want to work in an environment where they must think critically to solve idiosyncratic situations. Paradoxically, the level of atonement nor the title of respondent serve as differentiators in the airline service recovery context.

Even though there are not significant differences between Southwest and its competitors in any of the traditional service recovery paradigms of level of atonement, title of respondent nor timeliness of recovery, their ability to motivate employees seems to serve as an even more viable long-term competitive advantage in service recovery. As mentioned, levels of atonement,

time to repayment and title of respondent can be replicated by competitors to parity, but the small day-to-day actions of motivated employees cannot be easily copied. Thus, Southwest's ability to keep customers relatively satisfied with baggage service recovery efforts stems not from the processes themselves but from how employees utilize those avenues to shape customer experience.

This research has some limitations. First, it draws from a limited sample base. More interviews across the management structure of all three airlines as well as inspections of other baggage service offices could provide greater insight into variations within each airline to inform a more holistic perspective on the differences across airlines. We were also unable to do analysis of the over-the-phone aspect of the bag recovery process of an actual mishandled bag, which could provide further insights into the differences between Southwest and its competitors. Finally, the study lacks actual input from customers.

These limitations presage some potential research projects. Extending this study to include a larger population of airlines and members of those organizations should serve to reinforce the conclusions above. Also, empirical validation of the observations can solidify the conclusion that the service-profit

chain has a significant impact on service recovery efforts in airlines. Finally, because the customer satisfaction data is probably generated from highly dissatisfied customers, those upset enough to self-report on the Department of Transportation website, a more focused study of differences between recovery efforts of airlines during severe service failures may yield interesting insight.

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